

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1992 - SB 1940

February 13, 2016

SUMMARY OF BILL: Specifies that a “vendor” includes a legal entity that is currently in a contract with a state department or agency, bids on a contract with a state department or agency, or attempts to amend a current contract. Requires a vendor that is being investigated by a state department, state agency, or law enforcement regarding the business activity of the vendor to immediately notify the chief procurement officer (CPO), in writing, of the details of the investigation. Requires the CPO to notify the executive director of the Fiscal Review Committee (FRC) and the Comptroller of the Treasury (COT) of such investigations. Subjects a vendor who knowingly withholds information from the CPO and enters into a new or amended contract to a fine of no less than \$10,000 or an amount equal to five percent of the total price of the contract, whichever is greater. Authorizes a state department or agency to terminate a vendor’s contract who is in violation of this section.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Requiring a vendor who contracts with the state to notify the CPO of an investigation regarding the vendor’s business practices will not impact the current practice of state departments or agencies.
- Requiring the CPO to notify the FRC executive director as well as the COT will not result in a significant fiscal impact to the CPO office. Any increase to the workload of the CPO can be handled within existing resources.
- In order to avoid a fine of \$10,000 or five percent of the total contract price, as well as losing a state contract, most vendors will notify the CPO as required. Any increase in revenue as a result of the proposed legislation is estimated to be not significant.
- State contracts with vendors contain *Termination for Convenience* and *Termination for Cause* clauses which provide the State with the authorization to terminate contracts if necessary. Authorizing a state department or agency to terminate a contract for violation of the proposed legislation will not have a significant impact.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/lsc